



# County of Allegheny

## Office of the Controller

PERFORMANCE AUDIT REPORT  
ON THE IMPACT OF THE PIGGYBACKING  
METHOD OF PROCUREMENT  
ON ALLEGHENY COUNTY AND THE  
UTILIZATION OF LOCAL BUSINESSES  
FOR THE PERIOD JANUARY 1, 2017  
THROUGH JUNE 30, 2018

May 3, 2019

**Chelsa Wagner**  
Controller

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**CHELSEA WAGNER**  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

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April 18, 2019

Mr. Jerry Tyskiewicz, Director  
Department of Administrative Services  
436 Grant Street, Room 202 Courthouse  
Pittsburgh, PA 15219

**PERFORMANCE AUDIT REPORT  
ON THE IMPACT OF THE PIGGYBACKING  
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UTILIZATION OF LOCAL BUSINESSES  
FOR THE PERIOD JANUARY 1, 2017  
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Dear Mr. Tyskiewicz:

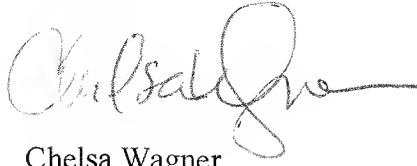
We have conducted a performance audit to evaluate the operation and impact of the piggybacking method of procurement on Allegheny County and the utilization of local businesses. Our procedures were applied to the period from January 1, 2017 through June 30, 2018. Our engagement was performed in accordance with *Government Auditing Standards*.

As we conducted our audit, we gained an understanding of the overall approach that Allegheny County takes in the procurement of goods and services, and the process and internal controls applicable to its use of piggyback contracting. During that process, and as we applied audit procedures to test the internal controls in place over piggyback contracting, we identified conditions that indicate that Allegheny County is not just excessively utilizing piggyback contracting as a procurement method, it is engaging in piggyback contracting without appropriate internal controls in place to help ensure that the lowest possible cost is obtained and procurement fraud is prevented. We have offered recommendations to assist in remediating these conditions which should improve the manner in which Allegheny County procures goods and services. The results of our procedures are included in the attached report.

Mr. Jerry Tyskiewicz  
March 22, 2019

We would like to thank the management and staff of the Department of Administrative Services' Division of Purchasing and Supplies for their courtesy and cooperation during our engagement.

Kind regards,

A handwritten signature in cursive script, appearing to read "Chelsa Wagner".

Chelsa Wagner  
Controller

A handwritten signature in cursive script, appearing to read "Lori A. Churilla".

Lori A. Churilla  
Assistant Deputy Controller, Auditing

cc: Honorable John DeFazio, President, County Council  
Honorable Rich Fitzgerald, Allegheny County Executive  
Mr. William McKain, County Manager, Allegheny County  
Ms. Jennifer Liptak, Chief of Staff, County Executive  
Mr. Kenneth J. Varhola, Chief of Staff, County Council  
Ms. Sarah Roka, Budget Manager, County Council  
Ms. Mary Soroka, Director, Office of Budget and Finance  
Ms. Ruth Byrd-Smith, Director, MWDBE Department

## **I. Introduction**

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The Department of Administrative Services' Division of Purchasing and Supplies ("Purchasing") is responsible for the solicitation and procurement of supplies, equipment, and services on behalf of all Allegheny County Departments, with the exception of Department of Public Works construction-related contracts and Department of Human Services provider contracts. Allegheny County is comprised of 28 Departments and had a 2018 operating budget of \$905,750,000. At the time we initiated our audit, Purchasing employed just six Purchasing Agents, which included the Deputy Purchasing Officer who was also serving as the Acting Chief Purchasing Officer at the time. The responsibilities of the purchasing agents are:

- Purchasing Agent #1 - Information Technology & Telecommunications, Furniture, Floor Coverings, Office Products, Office Equipment, Temporary Staffing (Non-Clinical), Insurance, Security Equipment, Systems & Service, Parcel Delivery
- #2 - Medical Equipment & Supplies, Laboratory Equipment & Supplies, Pharmaceutical Equipment and Supplies, Temporary Staffing (Clinical), Vehicles & Heavy Equipment, Uniforms, Radio Communications Equipment
- #3 - MRO Equipment & Supplies, Moving & Relocation, Road Materials, Maintenance Contracts, Laundry Service, Property & Equipment Rental, Pest Control, Utilities, Construction Related
- #4 - Print Production, Promotional Products, Publications, Multi-Functional Equipment, Photographic Equipment & Supplies, Commemorative & Religious, Athletic & Recreational, Traffic Control, Cleaning Services, Janitorial Equipment and Supplies, Waste Removal & Recyclable Materials, Sale of Surplus Metals, Equipment, and Materials
- #5 - Record Retention, Landscape and Agricultural, Food & Concession Programs, Public Safety, Safety/HAZMAT Supplies, Fuel, Gas (Non-Fuel, Medical and Industrial), Water, Kitchen Equipment & Supplies, Parking/Monthly Leases
- #6 - Purchasing Card

Allegheny County Administrative Code section 905.01 indicates that where the purchase or rental of materials, supplies, furnishings, equipment, or other personal property and nonprofessional services is estimated to cost \$30,000 or less, contracts may be awarded without advertising for bids. However, where the cost is estimated to be between \$10,000 and \$30,000, price quotations are required to be solicited from at least three vendors. If it is believed that the County will spend more than \$30,000 for a group of similar items over the course of a year, or for one item on an individual purchase, Administrative Code section 903.02 generally requires that a formal procurement process be conducted. The Invitation for Bid (IFB) process is used to procure goods over \$30,000 and the Request for Proposal (RFP) process is used to procure services over \$30,000. Both of these bid processes involve public advertisement of the specifications. However, Code section 907.01 also specifically indicates that the County may participate in or purchase from purchase contracts entered into by a governmental or quasi-governmental entity.

## **I. Introduction**

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“Piggybacking” a contract involves accepting the terms and pricing contained in an existing contract that has already been negotiated and executed by other parties for sought goods and/or services. Governments like Allegheny County engage in piggybacking with the intent of reducing the time and cost associated with the procurement process while taking advantage of favorable terms and pricing that have already been negotiated and obtained from suppliers by other governments. When piggybacking, a government is electing to forego the solicitation of bids or proposals, which is an attempt at identifying the best price available in the open market for the sought goods and/or services. Consequently, it is essential for a government to perform at least a limited analysis of the terms and pricing of the existing contract and the time and costs associated with identifying the best available price in the open market in order to assess whether piggybacking an existing contract may actually benefit the government. In addition, because piggybacking involves accepting the terms and pricing contained in an existing contract, the terms of the existing contract can usually not be modified to include MWDBE utilization goals. The only way the County could utilize MWDBEs when piggybacking would be to piggyback on existing contracts where an MWDBE was the supplier. Since piggybacking an existing contract is typically much easier and faster than soliciting and evaluating bids and proposals, controls should be in place to help ensure that piggybacking is only utilized when and to the extent that it is in the government’s (taxpayers’) best interest to do so.

Data provided by Purchasing indicates that during our audit period (January 1, 2017 through June 30, 2018) the County had 352 active piggyback contracts, and that goods and services were actually procured under 234 of those 352 active piggyback contracts during the period. The total expenditures under 145 of the 234 piggybacked contracts that had been utilized during our audit period exceeded \$30,000. Purchasing advised us that during the same period, it had completed 126 public bid processes.

## **II. Objectives, Scope, and Methodology**

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### **Scope**

Our performance audit covered the period from January 1, 2017 through June 30, 2018. We conducted the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **Objectives**

Our performance audit objectives were to:

1. Determine whether the Allegheny County Administrative Code and/or Purchasing Manual adequately restrict the use of the piggyback contracting to instances in which it best serves to benefit Allegheny County (taxpayers).
2. Determine whether the piggyback contracting has been used excessively for Allegheny County procurements, and if so, to identify the impacts.
3. Determine whether internal controls over piggyback contracting have been designed and implemented to minimize procurement fraud risks.

### **Methodology**

The methodology used to accomplish our audit objectives included, but was not limited to the following procedures:

- Reviewed the Allegheny County Administrative Code requirements applicable to the procurement of goods and services and the *County of Allegheny Purchasing Manual*.
- Interviewed Department of Administrative Services' Division of Purchasing and Supplies ("Purchasing") personnel to gain an understanding of the processes and controls in place over the procurement of goods and services for Allegheny County.
- Conducted research on and interviewed personnel of other local governments to gain an understanding of the size, spend, and procurement processes of the other local governments, including the extent to which piggyback contracting may be utilized.
- Reviewed samples of Allegheny County procurements where piggybacking was the method of procurement in order to determine whether the procurement files demonstrate that a cost analysis was properly conducted and/or reasonable rationale for the procurement method was documented.

## **II. Objectives, Scope, and Methodology**

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- Determined the extent to which piggybacking resulted in the use of out-of-County suppliers during the audit period.
- Applied procedures to determine whether there were in fact no other suppliers available to provide the specific goods or services that the County sought to purchase for a sample of sole source procurements.

We conducted our procedures from October through December of 2018. We provided a draft copy of our report to the Director of the Department of Administrative Services for comment. His response begins on page 29. The Controller's Office comments applicable to management's response begin on page 34.



### III. Findings and Recommendations

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#### *Finding #1*

#### **The Majority of County Procurements Conducted During the Audit Period That Exceeded \$30,000 Were Accomplished via Piggyback Contracting**

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Criteria:	<p>Governments typically use bid processes as the primary procurement method for large solicitations of goods and services, because bid processes are an attempt at identifying the best price available in the open market. While bid processes take time, they also provide for transparency and generally provide for fair competition among market participants. To facilitate the timely procurement of goods and services via bid processes, those charged with governance should allocate adequate personnel resources to the purchasing function, and user needs for goods and services should be communicated to those with purchasing authority as soon as possible. Because other procurement methods (such as piggyback contracting) may lack transparency and therefore be more susceptible to procurement fraud, provide less assurance of obtaining the lowest possible price, result in more frequent utilization of non-local vendors, or adversely impact the achievement of a government's other purchasing goals (such as the utilization of minority and women owned disadvantaged business enterprises, or MWDBEs), the use of other procurement methods for large solicitations is often restricted by those charged with governance or otherwise limited by internal controls instituted by those with purchasing authority.</p>
Condition:	<p>Although the Department of Administrative Services' Division of Purchasing and Supplies ("Purchasing") had not tracked the number of piggyback contracts active during our audit period (January 1, 2017 through June 30, 2018), we were able to determine with Purchasing's assistance that the County had 352 piggyback contracts that were active for at least part of our audit period, if not our entire audit period. This means that Purchasing would have requested Executive Action to approve the piggybacking of the contracts, piggybacking of the contracts had been approved, and the County would have been able to purchase goods and/or services under each of these 352 piggyback contracts at some point during our audit period. Data provided by Purchasing indicates that County personnel did in fact procure goods and services under 234 of these 352 active piggyback contracts during our audit period. The data also indicates that the County procured more than \$30,000 in goods and services during our audit period under 145 of the 234 active piggyback contracts that had been utilized. During our same audit period, Purchasing completed 126 bid processes. Even if the County had purchased goods and services at the completion of every bid process during our audit period, piggyback contracting was still the primary method of procurement utilized for purchases in excess of \$30,000 (145 of 271 contracts, or 54%).</p>

### III. Findings and Recommendations

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Cause:	<p>The control environment that exists incentivizes Purchasing's frequent use of piggyback contracting. First, those charged with governance have not restricted the use of piggyback contracting to accomplish large County procurements in any way. The Allegheny County Administrative Code does not identify specific types of goods or services for which piggybacking is permitted or prohibited, nor does it establish a maximum dollar amount for piggyback contracts. Second, the Chief Purchasing Officer has the ability to establish purchasing policy, and is able to limit the use of certain procurement methods even though their use may be permitted by the County's Administrative Code. However, the Chief Purchasing Officer has not incorporated sufficient controls to limit the use of piggyback contracting into the County's Purchasing Manual. The Purchasing Manual also does not require County Departments in need of goods or services to communicate their needs to Purchasing as soon as possible. Doing so should enable Purchasing to utilize bid processes more frequently, thereby reducing the extent to which the use of piggyback contracting may be necessary. Third, it appears that adequate personnel resources may not have been applied to the purchasing function. At the time we initiated our audit, Purchasing only employed six purchasing agents, which included the Deputy Purchasing Officer (who was also serving as the Acting Chief Purchasing Officer at the time). Although we were advised that needed goods and services were still being procured for users timely, we were also advised that Purchasing was approximately three months behind on its paperwork. As a result of all of these influencing factors, piggyback contracting has been frequently used for large County procurements as piggybacking an existing contract is typically much faster and easier than soliciting and evaluating bids and proposals.</p>
Effect:	<p>The most significant effect is that the frequent use of piggyback contracting, a procurement method that lacks transparency, has exposed (and continues to expose) the County to increased risk of procurement fraud. Because piggyback contracting has been frequently used, and foregoes an attempt to obtain the lowest price available in the open market, it is also possible that the County has (taxpayers have) paid more than was necessary for many of the goods and services purchased. In addition, the frequent use of piggyback contracting has resulted in the utilization of a large number of out-of-County suppliers which does not serve to stimulate the local economy. The data provided by Purchasing indicates that of the 234 active piggyback contracts under which County personnel did in fact procure goods and services during our audit period, 151 (65%) were with out-of-County suppliers. The data also indicates that the County procured more than \$30,000 in goods and services from out-of-County suppliers during our audit period under 95 of the active piggyback contracts that had been utilized. The use of piggyback</p>

### III. Findings and Recommendations

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contracting has also resulted in the exclusion of MWDBEs from participation in the majority of County procurements over \$30,000.

Recommendations: The Chief Purchasing Officer should:

- Work with County Administration and County Council to ensure that appropriate restrictions are established (codified) for the use of piggyback contracting. For example, it would be prudent to prohibit the piggybacking of long-term open-ended service contracts.
- Incorporate sufficient controls in the County's Purchasing Manual to limit piggyback contracting to appropriate instances in order to reduce the County's exposure to fraud risks and potentially higher prices. This should include requiring County Departments in need of goods or services to make Purchasing aware of those needs as soon as possible in order to facilitate the use of bid processes.
- Work with the County Administration to ensure that appropriate personnel resources are applied to the purchasing function so that bid processes can be conducted in all appropriate instances.
- Work with other County Departments to help minimize the amount of time necessary to complete a bid process so that bid processes can be utilized more frequently to procure goods and services.

Management's

Response: The response begins on page 29.

Controller's Office

Comments: The Controller's Office comments applicable to management's response begin on page 34.

### III. Findings and Recommendations

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#### *Finding #2*

#### **The Allegheny County Administrative Code and Purchasing Manual Do Not Adequately Restrict The Use of Piggyback Contracting**

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Criteria:	<p>When piggybacking on existing contracts, Allegheny County is electing to forego the solicitation of bids or proposals, which is an attempt at identifying the best price available in the open market for the sought goods and/or services. Piggybacking also leads to a lack of transparency, in that solicitations for goods and services are not advertised, and the vendors that provide goods and services under the piggybacked contracts are not disclosed. A lack of transparency results in the County being more susceptible to the risks of procurement fraud. In addition, because piggyback contracting involves accepting the terms and pricing contained in an existing contract, the terms of the existing contract typically cannot be modified to include MWDBE utilization goals. Consequently, measures should be in place to help ensure that piggyback contracting is only utilized when and to the extent that it is in the County's (taxpayers') best interest to do so. These measures should include restrictions on the use of piggyback contracting incorporated (codified) into the Allegheny County Administrative Code by those charged with governance, and/or limitations on the use of piggyback contracting incorporated into the County's Purchasing Manual by the Chief Purchasing Officer.</p>
Condition:	<p>The Allegheny County Administrative Code and Purchasing Manual contain no restrictions or limitations on the use of piggyback contracting. They do not identify specific types of goods or services that are permitted to be procured or prohibited from being procured via piggyback contracting, nor do they contain maximum dollar limits for piggyback contracts. The data supplied by Purchasing indicates that piggyback contracting occurred across a broad range of goods and services, and that there were ten piggybacked contracts with expenditures during our audit period in excess of \$1 million, and twelve more with expenditures during our audit period in excess of \$500,000. (See Exhibit 3 on page 24 for all County expenditures under piggybacked contracts during our audit period.)</p> <p>We also noted that the County's Purchasing Manual does not require Departments to communicate procurement needs to Purchasing as soon as possible. Doing so should enable Purchasing to utilize bid processes more frequently, thereby reducing the extent to which the use of piggyback contracting may be necessary.</p>
Cause:	<p>Incorporating restrictions on piggyback contracting into the Allegheny County Administrative Code and/or modifying the County's Purchasing Manual to limit the extent to which piggyback contracting could be</p>

### III. Findings and Recommendations

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utilized should result in more frequent utilization of bid processes for large procurements. This means that personnel resources sufficient to accomplish bid processes in all appropriate instances would need to be applied to the purchasing function. However, it appears that a desire to keep County personnel costs low may have resulted in the application of inadequate personnel resources to the purchasing function. Adding restrictions or limitations on piggyback contracting would only serve to prevent goods and services from being procured in a timely fashion while inadequate personnel resources are being applied to the purchasing function. It appears that County Departments are not required to communicate their needs for goods and services to Purchasing as soon as possible because a shortage of personnel resources would preclude Purchasing from conducting bid processes in all appropriate instances.

Effect: Piggyback contracting is being excessively used absent documentation of any of its benefits to Allegheny County taxpayers. There were ten piggybacked contracts with expenditures during our audit period in excess of \$1 million, and twelve more with expenditures during our audit period in excess of \$500,000. Piggybacking was used in lieu of competitive bidding, a process designed to ensure fair competition and the procurement of high quality goods and services from vendors at the lowest possible cost.

Recommendations: The Chief Purchasing Officer should:

- Work with County Administration and County Council to ensure that appropriate restrictions are established (codified) for the use of piggyback contracting which will help to ensure the more frequent utilization of public bid processes. For example, it would be prudent to prohibit the piggybacking of long-term open-ended service contracts.
- Incorporate sufficient controls in the County's Purchasing Manual to limit piggyback contracting to appropriate instances in order to reduce the County's exposure to fraud risks and potentially higher prices. This should include requiring County Departments in need of goods or services to make Purchasing aware of those needs as soon as possible in order to facilitate the use of bid processes.

Management's

Response: The response begins on page 27.

Controller's Office

Comments: The Controller's Office comments applicable to management's response begin on page 34.

### III. Findings and Recommendations

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utilized should result in more frequent utilization of bid processes for large procurements. This means that personnel resources sufficient to accomplish bid processes in all appropriate instances would need to be applied to the purchasing function. However, it appears that a desire to keep County personnel costs low may have resulted in the application of inadequate personnel resources to the purchasing function. Adding restrictions or limitations on piggyback contracting would only serve to prevent goods and services from being procured in a timely fashion while inadequate personnel resources are being applied to the purchasing function. It appears that County Departments are not required to communicate their needs for goods and services to Purchasing as soon as possible because a shortage of personnel resources would preclude Purchasing from conducting bid processes in all appropriate instances.

Effect: Piggyback contracting is being excessively used absent documentation of any of its benefits to Allegheny County taxpayers. There were ten piggybacked contracts with expenditures during our audit period in excess of \$1 million, and twelve more with expenditures during our audit period in excess of \$500,000. Piggybacking was used in lieu of competitive bidding, a process designed to ensure fair competition and the procurement of high quality goods and services from vendors at the lowest possible cost.

Recommendations: The Chief Purchasing Officer should:

- Work with County Administration and County Council to ensure that appropriate restrictions are established (codified) for the use of piggyback contracting which will help to ensure the more frequent utilization of public bid processes. For example, it would be prudent to prohibit the piggybacking of long-term open-ended service contracts.
- Incorporate sufficient controls in the County's Purchasing Manual to limit piggyback contracting to appropriate instances in order to reduce the County's exposure to fraud risks and potentially higher prices. This should include requiring County Departments in need of goods or services to make Purchasing aware of those needs as soon as possible in order to facilitate the use of bid processes.

Management's  
Response:

The response begins on page 29.

Controller's Office  
Comments:

The Controller's Office comments applicable to management's response begin on page 34.

### III. Findings and Recommendations

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lowest cost of all of the available contracts. There is also no place for Purchasing Agents to document this information.

2. *Fraud risks not addressed* - The form does not request Departments to identify any known relationships between Department personnel and the personnel of the proposed vendor, or other potential conflicts of interest that could result in piggyback contracting being inappropriate for the particular procurement. There is also no place on the form for Purchasing Agents to document this information.
3. *Lack of accountability* - Department Directors are not required to sign the *Piggyback Justification Form* to demonstrate that they stand behind the representations made on the form. The form also does not have a place for Purchasing Agents to document the steps that they have taken to verify the assertions made by the Departments in the form, or to document whether they believe, based on their review of the form and the procedures that they have performed, whether piggyback contracting is justified for the particular procurement, and why.
4. *MWDBE goals not considered* - The form does not require Purchasing Agents to document whether there are any certified MWDBEs able to do business in Allegheny County that would be able to participate in the procurement if the procurement were to be competitively bid. (The County's MWDBE Department would be able to help with this if it were provided information about County procurements other than those that will be competitively bid.)

#### ***The Cost of Conducting a Bid Process Was Not Determined***

One of the factors that should influence whether or not the County engages in piggyback contracting is the County's cost associated with conducting a bid process. This is because cost savings that may be obtained by conducting a bid process (versus piggyback contracting) will be reduced by the County's cost associated with conducting the bid process. Some specifications for goods and services are simple while others are complex, which means that the time and resources needed to complete every bid process will not be the same. However, developing an estimate of the cost of an average bid process would assist Purchasing in assessing whether cost savings that might be obtained from conducting a bid process might make conducting the bid process advantageous. When we initiated our audit, Purchasing had not developed an estimate of the County's cost of conducting an average bid process.

### **III. Findings and Recommendations**

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#### ***Supervisory Review of Proposed Procurement Methods Does Not Occur***

The Purchasing Agents assigned to specifications make their own decisions about the procurement methods that will be recommended to those charged with governance for the purchase of the goods and services without review by and approval from the Chief Purchasing Officer. We were advised that the Acting Chief Purchasing Officer has worked with the other Purchasing Agents for some time and respects their judgment. However, enabling all of the other Purchasing Agents to recommend piggyback contracting to those charged with governance without a review of the facts and circumstances associated with each procurement (such as relationships and conflicts of interest that may exist) by the Chief Purchasing Officer increases the likelihood of procurement fraud. We also noted during our review of Requests for Executive Action during our audit period that the rationale for the procurement method being utilized was typically not included for those charged with governance.

#### ***Once Piggyback Contracting Has Been Approved, Purchasing Has Little or No Involvement in the Actual Purchases Under Those Contracts***

When contracts are established in JD Edwards, the County's accounting system, they are entered in one of two ways, either for payment via a voucher process or for payment via purchase orders. Piggybacked contracts for services, because the services are billed to the County as they are provided, are typically paid via a voucher process. Because goods are usually purchased on an as-needed basis, purchase orders are typically used in connection with piggybacked contracts for goods.

When we tested a sample of procurements where piggyback contracting was the method of procurement, we observed that prices for the goods and services to be procured under the piggybacked contracts were usually not included in the contracts, or in any other documents contained in the procurement files. We were advised by Purchasing that because the piggybacked contracts often span a period of years (and suppliers' costs associated with the provision of goods or services change over time) the pricing under the piggybacked contracts often changes over time. Under these arrangements, the County would be required to call the supplier or visit the supplier's website when the County needs to make a purchase in order to get the current pricing. Since the market pricing for goods and services changes over time, it is possible that the County would be able to obtain pricing from other vendors that is lower than the pricing available from the piggybacked contract supplier at the time that the County actually needs to make a purchase. This means that it may still benefit the County to comparison shop before making purchases under such piggybacked contracts.



### III. Findings and Recommendations

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Once the contracts have been set up in the accounting system, Purchasing has no involvement in actual purchases under piggybacked contracts when a voucher process is used. This means that unless each County Department making purchases under piggybacked contracts with pricing that fluctuates comparison shops on its own to compare the pricing currently available under the piggybacked contract to the pricing currently available in the market from other suppliers, the County could be paying more than necessary for the goods or services. Purchasing does not verify that County Departments are comparison shopping before making purchases under piggybacked contracts. Since purchase orders are not used when a voucher process is used, Purchasing does not know when purchases are being made.

When piggybacked contracts are set up in the County's accounting system to be paid via purchase orders, the purchase orders prepared by the County Departments are electronically routed to Purchasing for review and approval. However, Purchasing advised us that their review is a cursory review and that there are only a limited number of circumstances that would result in a purchase order being rejected. Purchasing does not call the supplier or check the supplier's website to verify that the pricing on the purchase order matches the pricing currently available from the piggybacked contract supplier, nor do they routinely verify that the County Departments comparison shopped to help ensure that the County will be getting the best available pricing. We were advised that suppliers sometimes advise the County that the pricing included on particular purchase orders is higher than the pricing that was actually available from the suppliers under the piggybacked contracts. However, when internal controls can be easily implemented, the County should not be relying on supplier review of pricing (an external control) to help ensure that the County is getting the best available pricing.

Cause: The control environment is weak. Measures have not been taken to ensure that appropriate internal control procedures are in place and functioning as intended with respect to County procurement via piggyback contracting.

Effect: While procurement fraud is always possible, the use of piggyback contracting without appropriate internal controls in place has elevated the risk of fraud. It is possible that procurement fraud associated with piggyback contracting has occurred and not been identified. In addition, it appears that the weaknesses in and lack of control procedures over piggyback contracting has resulted in piggyback contracting being utilized when it has not best served the interests of County taxpayers.

### III. Findings and Recommendations

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Recommendations: The Chief Purchasing Officer should:

- Modify the *Piggyback Justification Form* to require:
  - An analysis to assess whether piggyback contracting is likely to result in the lowest cost to the County.
  - Documentation of known relationships and conflicts of interest that may preclude piggyback contracting from being a viable procurement method for the particular procurement.
  - Department Directors to take responsibility for the assertions that they make in the form by signing the form.
  - Purchasing Agents to document how they verified the assertions made by Department Directors, and their rationale for concluding that piggyback contracting is appropriate for the particular procurement (if they have).
  - Purchasing Agents (in conjunction with the MWDBE Department) to determine and document whether any MWDBEs doing business in Allegheny County would be available to participate in the procurement.
  - The Chief Purchasing Officer to review and sign the form evidencing agreement with the proposed procurement method before a Request for Executive Action is prepared and submitted to the County Manager and other applicable County officials for approval.
- Develop an estimate of the cost of an average bid process, and use that information to assist in determining whether piggyback contracting is appropriate.
- When identical items can be procured under multiple approved piggyback contracts, or when purchases of commodities are at a high volume but at a low unit cost such as furniture and computer hardware, require Departments to obtain and submit to Purchasing three price quotes for the items before approving their purchase order requests.
- Include the rationale for the procurement method in Requests for Executive Action so that those charged with governance have enough information to make decisions to approve or reject procurements.

### III. Findings and Recommendations

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Management's

Response: The response begins on page 29.

Controller's Office

Comments: The Controller's Office comments applicable to management's response begin on page 34.

### III. Findings and Recommendations

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#### *Finding #4*

#### *Some Sole Source Contracting Does Not Appear To Have Been Justified*

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Criteria: Adequate measures should be taken to ensure that there is truly no competition available before designating a procurement as a sole source procurement. A failure to do so could result in the improper exclusion of vendors from procurements, and could also result in the procurement of goods and services at a higher cost than is necessary.

Condition: We tested a judgmentally selected sample of 25 purchases made under sole source contracts during our audit period to determine whether the Chief Purchasing Officer approved the sole source procurements (via his signature on the *Sole Source Justification Form*), whether the *Sole Source Justification Form* contained adequate justification for sole source procurement, and whether the goods and/or services being procured were actually available from other suppliers. We determined that the *Sole Source Justification Form* associated with one of the 25 purchases (4%) was not signed by the Chief Purchasing Officer. We also determined that the *Sole Source Justification Forms* associated with three of the 25 purchases (12%) did not appear to contain adequate justification for sole source procurement, and that for these same purchases, it appears that the goods or services procured were available to be purchased from at least one other supplier.

The first of the three purchases was an inflatable pool obstacle course for North Park. The County paid the sole source supplier based in Kentucky \$31,140 plus freight charges. The purchasing agent had documented in the *Sole Source Justification Form* that he had “contacted park playground and accessories vendors that we work with and no one carried anything similar. Also, conducted research on the internet but did not find any others designed for commercial use.” The purchasing agent did not identify on the form the vendors that he had communicated with or the internet sites that he visited. We performed an internet search and quickly identified an alternate supplier based in Wisconsin that sells such pool inflatables designed for commercial use. Although we know such inflatables were available from the alternate supplier at the time the County’s purchase was made, we do not know the cost of the inflatables at the time the County’s purchase was made. At the time we conducted our search (after the County’s purchase was made) a comparable pool inflatable was available from the alternate supplier at \$20,500, a significantly lower price.

The second of the three purchases involved a Computational Fluid Dynamics Modeling and Measurements Study. The County’s contract with the sole source supplier is not to exceed \$717,246. The *Sole Source*

### III. Findings and Recommendations

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*Justification Form* prepared by the Allegheny County Health Department ("ACHD") indicated that the supplier was the only supplier eligible to receive payments from the ACHD Clean Air Fund which would fund the study. However, the supplier was the only supplier eligible to receive payments from the Clean Air Fund because the supplier was the only supplier listed on the Request for Executive Action prepared by the ACHD when it sought approval to have the study paid for using Clean Air Fund resources. Had the ACHD considered the need to conduct a Request for Proposal process and refrained from specifying a particular supplier, other suppliers could have participated in the procurement. It appears that the ACHD may have had a preference for the supplier that was designated as the sole source supplier. This could have been communicated to the Professional Services Review Committee and may have resulted in the selection of the supplier if a Request for Proposal process had been conducted.

The third of the three purchases involved services in connection with a voucher program for the conversion of open hearth fireplaces to gas burning fireplaces. The purchasing agent had documented in the *Sole Source Justification Form* that "initially, the Health Department and the U.S. EPA believed that several service providers could be engaged to participate in the project. However, after having issued the same Request for Quote twice, only one vendor applied and subsequently signed on in a letter agreement - this despite the project coordinators directly contacting the other prospective vendors in an attempt to educate them about the details of the RFQs and to encourage them to participate in the project." The total amount of the voucher program was \$70,000, in excess of the threshold where a formal procurement process would have been required. Had a Request for Proposal process been conducted, advertisements would have been placed in two local periodicals which may have garnered more attention from prospective suppliers than the Requests for Quotes posted exclusively on the County's website.

- |                  |   |
|------------------|---|
| Cause:           | The supervisory review to ensure that there is adequate justification for sole source procurements is not as vigorous as it needs to be.  |
| Effect:          | Noncompetitive procurements have been conducted when more than one supplier was likely available to provide the goods and/or services. The County also may have paid more than was necessary for the goods and services procured under noncompetitive procurements. |
| Recommendations: | The Chief Purchasing Officer should carefully review <i>Sole Source Justification Forms</i> to ensure that the goods and/or services sought cannot be procured from any other suppliers and document the review procedures performed in the procurement files.      |

### III. Findings and Recommendations

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Management's

Response: The response begins on page 29.

Controller's Office

Comments: The Controller's Office comments applicable to management's response begin on page 34.

## IV. Conclusion

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In the current environment, there appear to be two predominant viewpoints with respect to government procurement. Some believe that governments should continue to rely most heavily on the utilization of public bid processes for procurement in order to minimize the risk of procurement fraud, and to help ensure that governments obtain goods and services from local suppliers at the lowest possible cost. Others believe that it is appropriate for governments to rely more frequently on alternative procurement methods, such as piggyback contracting, to speed up the procurement of goods and services and lower the cost of the procurement process. However, relying more frequently on alternative procurement methods could only be appropriate when governments have taken appropriate measures to mitigate the risks associated with those procurement methods.

Governments that engage in piggyback contracting typically have implemented procedures to identify any relationships and conflicts of interest that should preclude piggyback contracting. Some governments have restricted their use of piggyback contracting to certain commodities, and/or established maximum amounts for piggyback contracting. Some governments have publicized their piggyback contracting in order to improve transparency and minimize fraud risk. Some governments have developed an estimate of their cost to conduct a bid process in order to assess whether conducting a bid process might generate a cost savings. While Allegheny County's procurements during our audit period indicate that the County favors the utilization of alternative procurement methods, the County has not instituted any of the aforementioned measures.

Allegheny County taxpayers should expect the County to do better than simply procuring goods and services the fast and easy way, without adequate focus on procurement at the lowest possible cost, the utilization of local vendors, the provision of opportunities to MWDBEs, and the prevention of procurement fraud. If Allegheny County intends to continue to utilize piggyback contracting, even on a limited basis, it needs to design and implement internal control procedures to increase the likelihood that the County will obtain the lowest possible cost, limit the extent that out-of-County vendors are utilized, ensure that MWDBEs are provided with opportunities to participate in County procurements, and reduce the risk of procurement fraud. However, in our view, public bid processes should be the default method of procurement when a single item over \$30,000 will be purchased or the estimated cost of a series of purchases exceeds \$30,000.

Local Government Procurement Comparison Chart

County Name	Allegheny County, PA	Milwaukee County, WI	Erie County, NY	Hamilton County, OH	York County, PA	Westmoreland County, PA	Washington County, PA
County Population <sup>1</sup>	1,223,048	952,085	925,528	813,822	446,078	352,627	207,298
County Seat	Pittsburgh, PA	Milwaukee, WI	Buffalo, NY	Cincinnati, OH	York, PA	Greensburg, PA	Washington, PA
County Seat Population <sup>1</sup>	302,407	595,351	258,612	301,301	44,132	14,299	13,566
Total Spend for General Fund (excludes public works, capital spending and debt payments) <sup>2</sup>	\$1,495,411,631	\$645,387,000	\$1,462,612,000	\$704,593,000	\$393,162,197	\$185,964,538	\$117,234,788
Number of Purchasing Personnel <sup>3</sup>	6	8	7	4	Not Provided	Not Provided	4
Is Piggyback Contracting Authorized? <sup>3</sup>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Are There Any Restrictions on the Use of Piggyback Contracting? <sup>3</sup>	No	No	No	No	Yes - Contracts >\$10,000 must be competitively bid unless exception is granted by Board of Commissioners.	No	No
Is Piggyback Contracting Engaged In? <sup>3</sup>	Yes - Piggybacking used extensively, >\$23 Million (See Audit Finding #2)	Yes - Piggybacking represents only about 10% of total purchases (about \$12 Million)	Yes - However bid processes are preferred	Yes - Piggyback contracting is only used for 1-2% of total purchases	Yes - Just one piggyback contract for uniforms	Yes	Yes - However piggyback contracting is seldomly used

<sup>1</sup>Population estimate as of July 1, 2017 per the United States Census Bureau (<https://www.census.gov/quickfacts/fact/table>)<sup>2</sup>Information for FY 2017, obtained from the respective County's Comprehensive Annual Financial Report.<sup>3</sup>Information obtained from inquiries with the respective County purchasing functions.



Piggyback Justification Form*Specification Details*

Specification #:  
 Vendor Name:  
 Requester's Name:  
 Requester's Title:  
 Requester's Department:  
 Purchasing Agent: Alessio

Vendor #:

*Contract Details*

The Piggyback is Issued By:

PA State, non-COSTARS	<input checked="" type="radio"/>	GSA	<input type="radio"/>
PA COSTARS	<input type="radio"/>	NJPA	<input type="radio"/>
US Communities	<input type="radio"/>	Lead Agency:	
Other	<input type="radio"/>	Issuing Agency:	

Agency's Contract Number:

Date of Award:

Start Date:

Current End Date:

*Payment Details*

Estimated Annual Spend:

Paid via: Purchase Order ☒ Voucher ☐ Both ☐

If By Voucher:

Cost Center or Job Code: \_\_\_\_\_ Object Code: \_\_\_\_\_ Subledger: \_\_\_\_\_

*Justification*

What goods and services is this contract providing to the County?

Is this for a one-time purchase or will there be more purchases in the future? (If a one-time purchase, please attach quote. If services are being provided, please attach scope of work.)

Is this contract being used in conjunction with other piggyback contracts to receive quotations for future purchases?

Is the supplier local to Allegheny County? (If no: Are we aware of any company local to Allegheny County, with a *competitively awarded contract*, who can?)

## TOTAL SPEND UNDER PIGGYBACK CONTRACTS DURING OUR AUDIT PERIOD

Contract Number	Description	Supplier	Audit Period Spend (1/1/17-6/30/18)
1	111340 Telecommunications Managed Services	MCI Communications Inc dba Verizon	\$3,794,689.86
2	48446 State Piggyback for Office & Classroom Related Accessories	Staples Contract & Commercial Inc dba Staples Advantage	2,739,298.13
3	47147 COSTARS 3 - IT Hardware	CDW Government Inc	2,047,830.23
4	49173 State of Pennsylvania Contract for Sodium Chloride (Bulk Road Salt)	American Rock Salt Co. LLC	1,911,917.03
5	48401 COSTARS 5 - Janitorial Supplies	Paper Products Co., Inc.	1,451,122.60
6	211244 Microsoft Enterprise Agreement - 2017 - 2020	CDW Government Inc	1,425,096.84
7	47327 COSTARS 6 - Software	CDW Government Inc	1,362,471.25
8	48022 Wireless Communications Service	Sprint Solutions, Inc.	1,266,690.02
9	48024 Wireless Communications Service	Verizon Wireless	1,213,169.22
10	47571 GSA for Information Technology	Mission Critical Partners, Inc.	1,097,011.23
11	48400 National IPA Piggyback for MRO Supplies	Grainger Industrial Supply	996,336.55
12	49073 National IPA Piggyback for Systems Furniture, Free Standing Furniture, Seating, Filing Systems/Equipment, Interior Solutions and Related Product and Support Services	Easley & Rivers Inc.	811,033.50
13	49070 National IPA Piggyback for Systems Furniture, Free Standing Furniture, Seating, Filing Systems/Equipment, Interior Solutions and Related Product and Support Services	Office Furniture Warehouse	784,488.24
14	130845 ITQ: Information Technology	SynergIT Inc.	748,313.99
15	47583 PEPPM PB - Computer Hardware and Software	Advizex Technologies LLC	723,895.59
16	48448 COSTARS 25 - Municipal Work Vehicles	A&H Equipment Co.	603,956.19
17	46589 COSTARS 10 - Voting Systems	Election Systems and Software Inc.	585,946.02
18	47157 COSTARS 3 - IT Hardware	Hewlett Packard Company	571,578.74
19	48020 ITQ for Maintenance, Repair and Testing for Surveillance, Security and Fire Systems Services	Tyco Fire & Security Mgmt Inc. dba Johnson Controls Security Solutions	543,850.84
20	47477 COSTARS 6 - Software	SynergIT Inc.	527,134.78
21	48270 PEPPM Piggy back contract for Computer Hardware and Software	Mythics, Inc.	505,129.96
22	187229 PA State Contract for MIRT Surveillance, Security, and Fire Systems	Simplex Grinnell LP	500,150.28
23	47151 COSTARS 3 - IT Hardware	Fire Fighter Sales & Service Co. dba All Lines Technology	417,494.08
24	48036 COSTARS 25 - Municipal Work Vehicles	Hunter Truck Sales & Service Inc.	415,624.57
25	49022 State Piggyback for Municipal Work Vehicles	Hill International Trucks N.A. LLC	382,613.37
26	49253 COSTARS 13 - Emergency Responder Vehicles	Tri Star Motors Inc.	366,597.00
27	47142 COSTARS 3 - IT Hardware	Sirius Computer Solutions, Inc.	360,244.26
28	48223 COSTARS 20 - Laboratory Supplies	Fisher Scientific	357,543.43
29	191926 GSA for Information Technology	Comcast	344,651.80
30	49385 COSTARS 25 - Municipal Work Vehicles	Day Automotive Group dba Day Fleet Sales	335,195.00
31	48063 Electrical Supplies	Graybar Electric Co., Inc.	332,811.78
32	48452 National IPA Piggyback for Groundskeeping, Golf and Sports Field Maintenance Equipment	E.H. Griffith Inc.	299,710.24
33	190232 State of TN (Polk County) Piggyback for Optical Scan Voting Equipment	RBM Consulting LLC	298,775.16
34	49330 US Communities PB for Oracle Products, Services, and Solutions	DLT Solutions LLC dba DLT Solutions	290,044.72
35	49252 COSTARS 26 - Passenger Vehicles	Tri-Star Ford Inc.	284,050.00
36	47483 Software Reselling Including Management of Microsoft Select	Dell Marketing LP	264,733.52
37	46537 MRO Supplies	Home Depot Credit Services	261,673.10
38	48384 Westmoreland COG	Day Automotive Group dba Day Fleet Sales	260,667.00
39	48527 COSTARS 5 - Piggyback for Janitorial Supplies	A-Z Janitorial Services LLC	260,656.45
40	47146 COSTARS 3 - IT Hardware	ePlus Technology, Inc.	257,015.38
41	47287 GSA for Information Technology	Pictometry International	256,600.00
42	48521 COSTARS - 12 Emergency Responder Loose Supply	Team Force	250,858.31
43	213172 PB Imaging Services	Pictometry International	241,107.80
44	47650 COSTARS 14 - Recreational & Fitness Equipment	Pete Jeffrey and Associates	235,023.00
45	177090 Equipment Repair Maintenance Management Services	Specialty Underwriters LLC	234,612.50
46	179085 Electrical Maintenance Service for Bridge, Highway Lighting & Tunnel Carbon Monoxide Monitor System and Extra Work as Directed III	Allegheny City Electric Inc.	226,528.62

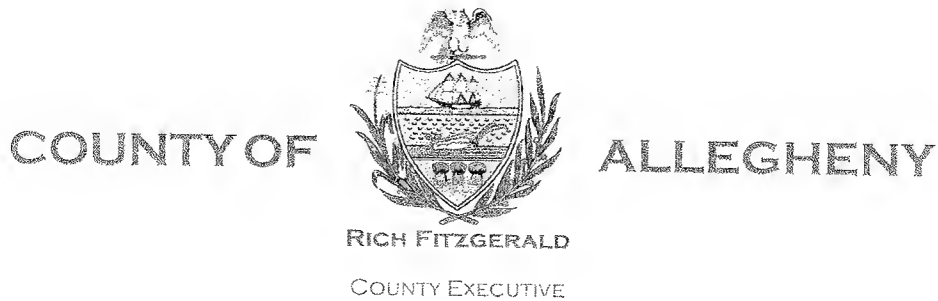
Contract Number		Description	Supplier	Audit Period Spend (1/1/17-6/30/18)
47	49126	PA PB for Body Armor	North Eastern Uniforms & Equipment Inc.	221,096.46
48	49219	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)	PPG Architectural Finishes Inc.	220,306.17
49	49298	COSTARS 26 - Passenger Vehicles	Whitmyer Buick Chevrolet Inc.	216,900.00
50	47648	COSTARS 14 - Recreational & Fitness Equipment	Bitting Recreation Inc.	216,665.00
51	48177	State Piggyback for Carpet and Carpet Installation	Steinberger Floors Inc.	215,259.60
52	49077	COSTARS 11 - Toiletries	Bob Barker Co., Inc.	210,572.71
53	47143	COSTARS 3 - IT Hardware	Dell Marketing LP	209,093.64
54	49279	COSTARS 25 - Municipal Work Vehicles	Suppes Motor Sales Co. Inc Suppes Ford	208,837.00
55	48296	State Piggyback for Electronic Monitoring Equipment	Sentinel Offender Services LLC	206,931.21
56	47658	GSA for Information Technology	Immix Technology Inc.	205,257.01
57	47774	COSTARS 14 - Recreational & Fitness Equipment	General Recreation Inc.	204,649.00
58	49215	Mailroom Equipment	Pinney Bowes Inc.	204,519.68
59	48994	State Piggyback for Municipal Work Vehicles	Tristar Ford Inc.	173,960.00
60	49195	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)	Schaeffler Yesco Distribution Inc.	165,581.00
61	48390	GSA for Information Technology	Carolina Recording Systems LLC	163,620.00
62	48310	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)	Hite Co. Inc.	162,870.17
63	48546	Maintenance of Various Equipment	Quality Mechanical Services Inc.	161,008.51
64	48017	Surveillance and Security Systems	Simplix Grinnell LP	155,480.27
65	205960	State Piggyback for Electronic Monitoring Equipment	Track Group Americas Inc.	149,496.41
66	48018	Surveillance and Security Systems	Wacor Electronic Systems Inc.	131,027.03
67	49192	Agricultural/Grounds Keeping Type Power Equipment	Bandt Industries Inc.	129,027.50
68	48278	PEPPM Piggy back contract for Computer Hardware and Software	Strategic Products Services LLC	128,754.40
69	48217	State PB - Agricultural Groundskeeping Type Power Equipment	John Gere Co.	124,806.34
70	204161	TCF Lease for Toro Equipment	TCF National Bank dba TCF Equip Finance	123,774.82
71	49325	COSTARS 34 - Theater	Keyser Consulting	123,222.38
72	48968	Piggyback for Construction/Heavy Duty Power Equipment-Supplement	Murphy Tractor & Equipment Co., Inc.	123,197.04
73	49246	Two-Way Radio Communications & Equipment	Motolla Solutions Inc.	113,516.16
74	214451	PA PB for Drug & Alcohol Testing	Redwood Toxicology Laboratory Inc.	104,625.95
75	48456	COSTARS 13 - Piggyback for Emergency Responder Vehicles	Sabre Equipment	104,407.40
76	169224	Microsoft Enterprise Agreement	CDW Government Inc	102,888.00
77	47399	Document Management Products, Systems, Services and Solutions	Shred-It USA dba Shred-It Pittsburgh	102,408.73
78	49337	National IPA Piggyback for MRO Supplies	Lowes Companies Inc. Lowes Home Center	97,911.59
79	48396	PEPPM Piggyback for Copiers, MF Devices, Production Systems, and Software	Xerox Corporation	94,504.91
80	48333	State Contract - Facilities Maintenance Services ITQ DGS	Stemens Industry Inc.	92,970.47
81	49105	COSTARS 36 - Appliances, Cafeteria Equipment and Supplies	Curran Taylor Inc.	90,622.51
82	48264	COSTARS 35 - Furniture and Window Treatments	Granville Associates Inc. dba Vision Business Products	88,113.72
83	48218	State Piggyback Agricultural Groundskeeping Type Power Equipment	Krigger & Company Inc.	87,443.97
84	46862	Document Management Products, Systems, Services and Solutions	Iron Mountain	87,118.27
85	47480	ITQ: Information Technology	Dagostino Electronic Services	86,922.62
86	48311	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)	Builders Hardware & Specialty Company	83,826.77
87	49187	State of MN for Computer Equipment	Hewlett Packard Enterprise Co.	79,197.49
88	49200	Drug Testing Equipment	American Bio Medica Corporation	77,947.01
89	48378	Genetic Parentage Testing	DNA Diagnostics Center Inc.	68,991.75
90	47448	COSTARS 8 (MRO)	Schaeffler Yesco Distribution Inc.	67,117.33
91	127673	Olathe Kansas IT Consulting Services Contract	Velocity Technology Solutions IV Inc.	66,730.44
92	49341	US Communities Contract for Online Marketplace - Amazon	Amazon.com LLC	66,455.32
93	200055	PA State PB for Moving and Storage Services	Debo Moving & Storage Inc.	64,644.71
94	133649	Sole Source for EAM Software - Farragut	Farragut Systems	64,000.00
95	48440	COSTARS 12 - Emergency Responder Loose Supply	Wilmer Public Safety Group Inc.	63,940.65

Contract Number		Description	Supplier	Audit Period Spend (1/1/17-6/30/18)
96	48314	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)	Huckestein Mechanical Services Inc.	61,921.62
97	48957	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)	Comfort Supply Inc.	59,644.98
98	49201	COSTARS 6 - Software	Dell Marketing LP	59,556.64
99	49069	National IPA Piggyback for Systems Furniture, Free Standing Furniture, Seating, Filing Systems/Equipment, Interior Solutions and Related Product and Support Services	Easley & Rivers Inc.	57,782.34
100	48420	State Piggyback for Commercial Grade Food Service Equipment	Bryco Foodservice LLC dba Trimark SS Kemp	57,058.84
101	49023	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)	Fit Optimized Solutions	56,402.92
102	49293	COSTARS - 12 Emergency Responder Loose Supply	Premier Safety & Svc Inc.	56,364.00
103	47972	Janitorial Supplies, Equipment, Maintenance & Repair (NCPA Contract)	Acuity Specialty Products, Inc. dba Zep Sales & Service	56,244.56
104	48491	COSTARS 3 - IT Hardware	Dagosto Electronic Services	55,894.63
105	49353	COSTARS 26 - Passenger Vehicles	McCall Motors Inc.	54,247.00
106	49382	PB Less Lethal & Duty Gear - Axon 5 Year Plan	Axon Enterprise Inc.	53,113.90
107	48292	State Piggyback for Less Lethal & Duty Gear	Axon Enterprise Inc.	52,485.78
108	47145	COSTARS 3 - IT Hardware	Anixter, Inc.	52,137.81
109	49214	Mailroom Equipment	The Wilson Group LLC	50,646.55
110	48587	ITQ: Information Technology	AT&T Datacom Inc. dba AT&T Datacom	49,880.94
111	48046	COSTARS 25 - Municipal Work Vehicles	Walsh Equipment Inc.	49,715.16
112	49256	COSTARS 26 - Passenger Vehicles	Tri Star Motors Inc.	47,980.00
113	49122	PA PB for Body Armor	Markl Supply Company	46,951.00
114	49334	PA Piggyback for Laboratory Supplies & Equipment	VWR International Inc.	44,213.62
115	48583	Liquid Calcium Chloride	SAL Chemical	43,872.14
116	49225	COSTARS 19 - Medical Supplies	Bound Tree Medical LLC	43,665.17
117	49255	COSTARS 25 - Municipal Work Vehicles FORD	Tristar Ford Inc.	43,400.00
118	49389	NJPA Piggyback for Pre-Engineered, Pre-Cast Concrete Toilet Buildings and Vaults	CXT Inc.	42,931.00
119	203362	COSTARS 8 - Building Maintenance, Repair, and Operation (MRO)	Automated Card Systems Inc.	42,755.00
120	49123	PA PB for Body Armor	Witmer Public Safety Group Inc.	41,803.85
121	138674	Information Technology	ProTech Professional Technical Services	40,000.00
122	188414	COSTARS 1 - Copiers, Document Imaging and Multifunction Devices	eDocs Technologies LLC	39,467.00
123	48492	COSTARS - 12 Emergency Responder Loose Supply	Universal Industrial Supply Inc.	39,302.13
124	205962	PASSHE PB for Design Services	Florida Consulting LLC	39,250.00
125	49210	PA State Contract for Highway Inlet Boxes, Grates and Frames	East Jordan Iron Works Inc. dba EJ USA Inc.	37,760.93
126	48140	Mission Oriented Business Integrated Services (MOBIS)	BullEx Inc.	37,749.00
127	49400	PEPPM PB - Computer Hardware and Software	NWN Corporation	37,362.00
128	48226	PEPPM Piggy back contract for Computer Hardware and Software	SMARTSolution Technologies LP	36,376.00
129	49265	COSTARS 34 - Theater (Auditorium) Furniture, Fixtures, Audio, Visual Equipment and Musical Instruments	Carousel Industries Of North America Inc.	35,850.00
130	49136	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)	Johnson Controls Inc.	35,471.96
131	48306	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)	Cleveland Brothers Equipment Co., Inc.	34,167.96
132	48291	GSA Piggyback for Scientific Equipment and Services	Thermo Scientific Portable Analytical	33,601.81
133	178445	Preventive Maintenance for Jail Chiller Plant II	Huckestein Mechanical Services Inc.	33,471.00
134	49211	COSTARS 6 - Software	NWN Corporation	33,249.55
135	49091	COSTARS 29 - Grounds Keeping Services and Supplies	S&S Processing Inc.	32,577.22
136	49036	GSA for Information Technology	Mythics Inc.	32,479.23
137	48963	State Piggyback for Municipal Work Vehicles	Kenny Ross Chevrolet Inc.	32,306.61
138	48111	COSTARS 6 - Software	SHI International Corporation	32,095.83
139	49243	Waste, Recycling & Materials Handling Containers	Kettle Creek Corporation	31,774.73
140	192715	COSTARS 8 - Maintenance, Repair and Operation Equipment Supplies (MRO)	Horizon Information Services Inc.	31,230.25
141	47515	GSA for Information Technology	E-Innovative Services Group LLC	30,905.00
142	47521	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)	City Lighting Products Co., Inc.	30,876.54

Contract Number		Description		Supplier	Audit Period Spend (1/1/17-6/30/18)
143	49146	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)		Tobey-Karg Service Agency Inc.	30,740.12
144	47630	COSTARS 6 - Software		SBM Electronics Inc.	30,620.00
145	48503	COSTARS 16 - Waste & Wastewater Treatment Plants - Components/Equipment		Ferguson Enterprises Inc. #1599	30,393.32
146	49335	PA PB for ITQ - Surveillance, Security, and Fire Systems Services		Access Control Systems, Inc.	29,302.54
147	47377	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)		Fillech, Inc.	29,284.14
148	49333	Pennsylvania ITQ for Maintenance/Repair/Testing of Surveillance, Security, Fire System Services		Vector Security, Inc.	28,709.00
149	47427	COSTARS 3 - IT Hardware Contract		Connectivity Communications, Inc.	27,900.00
150	48585	Piggyback for Construction/Heavy Duty Power Equipment-Supplement		Cleveland Brothers Equipment Co., Inc.	25,595.01
151	47487	COSTARS 3 - IT Hardware		Southern Computer Warehouse Inc.	24,888.73
152	48317	State Piggyback for Less Lethal & Duty Gear		Mark Supply Company	24,330.10
153	48422	PA State Contract Highway Glass Beads		Potters Industries Inc.	24,000.00
154	48517	COSTARS 5 - Janitorial Supplies		Randall Industries LLC	23,372.05
155	49251	COSTARS 12 - Loose Supplies		Bear Communications Inc. dba Bearcom	23,340.38
156	48110	COSTARS 3 - IT Hardware		Keyser Consulting	23,300.00
157	214750	COSTARS 6 - Software		eDocs Technologies LLC	22,516.00
158	49288	COSTARS 17 - Waste, Recycling and Materials Handling Containers		BE Equipment, Inc.	22,466.85
159	48549	Commercial Furniture		Granville Associates Inc. dba Vision Business Products	22,222.46
160	47507	COSTARS 12 - Emergency Responder Loose Supply		Bob Barker Co., Inc.	21,625.05
161	47651	Enforcement, Security, Facilities Management, Fire Rescue, Clothing, Marine Craft		Security Detection, Inc.	21,450.76
162	48504	NJPA Piggyback for Floor Covering		Touch of Color Flooring Inc.	21,389.00
163	154296	ITQ Consulting Services		Maximus Inc.	21,000.00
164	49401	COSTARS 12 - Emergency Responder Loose Supplies		Fire Force Inc.	19,900.00
165	48029	Commercial Furniture		All Steel Inc.	19,482.02
166	49024	Lab Supply and Equipment		WVR International Inc.	18,133.16
167	47999	COSTARS 14 - Recreational & Fitness Equipment		Recreation Resource Inc.	17,980.83
168	49407	PB GSA for Outdoor & Recreation Items		Jamestown Advanced Products	17,694.50
169	49137	NJPA Piggyback for Construction & Agricultural Equipment		Smartl Equipment Inc.	17,645.36
170	49384	PA Piggyback for MRO		I-Con Systems, Inc.	17,356.66
171	49212	Construction/Heavy Duty Power Equipment- Supplement		Groff Tractor Holdings LLC dba Groff Tractor & Equipment LLC	17,189.00
172	49282	Auto and Truck Parts With Related Auto and Truck Equipment, Accessories, Supplies and Services		North Hills Auto Supply Inc.	17,182.04
173	49035	State Piggyback for Fire Extinguishers, Maintenance & Repair Services		Advanced Fire Company Inc.	17,161.72
174	49004	US Communities		Cintas Corporation	16,905.53
175	49362	COSTARS 14 - Recreational & Fitness Equipment		George Ely Associates Inc.	16,824.00
176	49251	COSTARS 12 - Loose Supplies		Staley Communications Inc.	16,551.38
177	214775	PB US Communities Rental of Uniforms		Cintas Corporation	16,378.60
178	49014	COSTARS 35 - Furniture and Window Treatments		Caldwells Windowware Inc.	14,678.00
179	49037	GSA for Information Technology		Combyte USA Inc.	14,177.61
180	49063	State Piggyback for Motor Oil, Lubricants, Antifreeze, and DEF		PPC Lubricants Inc.	13,798.50
181	49220	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)		AB Specialties Inc.	13,210.00
182	49413	PA State ITQ for Maintenance, Repair, Testing for Surveillance, Security, and Fire System Services		Wacor Electronic Systems Inc.	13,150.40
183	49257	COSTARS 13 - Emergency Responder Vehicles		Tristar Ford Inc.	12,829.23
184	196121	Mailroom Equipment		Francotyp Postalia Mailing Solutions	11,134.01
185	47549	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)		Combustion Service & Equipment	10,736.78
186	204469	PA State Contract for Non-English In-Person Interpretation Services		Language Services Associates	9,286.52
187	47118	Software Maintenance DLT Solutions (Oracle)		DLT Solutions LLC dba DLT Solutions	9,180.35
188	48550	NJPA Piggyback for Auto & Auto Truck Parts		North Hills Auto Supply Inc.	9,070.73
189	145879	COSTARS 6 - IT Software		General Code LLC	8,477.01
190	49209	PA State Contract for Highway Inlet Boxes, Grates and Frames		Wine Concrete Products, Inc.	8,435.00



Contract Number		Description	Supplier	Audit Period Spend (1/1/17-6/30/18)
191	49408	PB US Communities Food Distr Svcs & Products	U.S. Foodservice	8,283.81
192	49025	COSTARS 8 - Building Maintenance, Repair, and Operation (MRO)	IDN-Hardware Sales, Inc.	8,107.29
193	49406	GSA PB for Outdoor & Sports Equipment	Jamestown Advanced Products	7,967.90
194	49395	City of Pittsburgh Bld	SAL Chemical	7,600.90
195	48490	State Piggyback for Commercial Laundry Equipment	PAC Industries, Inc.	7,456.00
196	49387	PB McHenry, IL - Field Drug Kits	1-step Detect Associates	6,831.50
197	48482	COSTARS 37 - Uniforms	Zytnick Ben dba Concept Uniform Co.	6,727.10
198	47649	COSTARS 14 - Recreational & Fitness Equipment	Sport Supply Group Inc. dba BSN Sports	5,858.27
199	48028	Commercial Furniture	Hon Co. % Mt. Lebanon Office Equipment	5,740.66
200	189077	State Piggyback for Tree Trimming and Stump Removal	Sidelines Tree Service LLC	5,600.00
201	49015	State Piggyback for Uniforms	North Eastern Uniforms & Equipment	5,511.38
202	47446	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)	Efny Corporation dba Batteries Plus Pittsburgh	5,457.84
203	49340	NJPA/TCPN Contract for MRO	Midwest Motor Supply Co., Inc. dba Kimball Midwest	5,389.64
204	49013	State Contract	Highway Equipment Co.	5,248.80
205	213863	State of Florida	Enterprise Rent-a-Car	4,935.00
206	48580	COSTARS 20 - Laboratory Supplies	Perkin Elmer Health Sciences Inc.	4,796.72
207	48221	Enforcement, Security, Facilities Management, Fire Rescue, Clothing, Marine Craft	CEIA USA LTD	4,300.00
208	49338	State of Pennsylvania PB for Bridge & Highway Maintenance Materials	George L. Wilson & Co., Inc.	4,275.07
209	49079	COSTARS 8 - Building Maintenance, Repair and Operation (MRO)	Johnstone Supply	4,036.56
210	48019	Surveillance and Security Systems	Ellech Security Systems	3,830.33
211	49280	COSTARS 14 - Recreational & Fitness Equipment	Kelly's Sports, Ltd.	3,715.00
212	49281	Auto and Truck Parts With Related Auto and Truck Equipment, Accessories, Supplies and Services	NAPA Auto Parts of White Oak	3,572.09
213	48516	State Piggyback for Motor Oil, Lubricants, Antifreeze, and DEF	Tn County Petroleum, Inc. dba Petro Choice	3,548.60
214	49074	National IPA Piggyback for Systems Furniture, Free Standing Furniture, Seating, Filing Systems/Equipment, Interior Solutions and Related Product and Support Services	Franklin Interiors, Inc.	3,358.56
215	49412	NJPA Piggyback for John Deere Retail Sales	Murphy Tractor & Equipment Co. Inc.	2,365.10
216	48199	Commercial Grade Food Service Equipment	Singer Equipment Company	2,348.69
217	48579	COSTARS 3 - IT Hardware	Zones, Inc.	2,342.07
218	48344	State Piggyback for Commercial Grade Food Service Equipment	TMP Company Inc.	2,081.20
219	49264	PB Road Flares	Standard Fusee Corp. dba Orion Safety Products	1,998.40
220	108337	US Communities - Equipment Rental	HERC Rentals, Inc.	1,943.50
221	47659	Breast Pumps	Medela Inc.	1,684.36
222	49213	COSTARS 17- Waste, Recycling and Materials Handling Containers	Busch Systems International Inc.	1,308.65
223	48030	State Contract - Envelopes	Cenveo Corporation	1,058.00
224	49124	PA PB for Body Armor	Safety League Inc. dba Atlantic Tactical	981.44
225	47631	COSTARS 3 - IT Hardware	SBM Electronics, Inc.	764.00
226	49060	National IPA/TCPN Piggyback for Janitorial Supplies, Equipment, Maintenance, and Repair	EcoLab Inc.	526.01
227	48245	National JPA Contract Pre-Engineered, Pre-Cast Concrete Buildings	CXT Incorporated	441.00
228	49092	COSTARS 5 - Piggyback for Janitorial Supplies	Janitors Supply Inc.	322.66
229	47696	COSTARS 24 - Traffic Signs	US Municipal Supply, Inc.	280.00
230	48234	Drug Alcohol Screening Products	Orasure Technologies Inc.	237.60
231	49383	PB GSA for Law Enforcement Solutions	Sirchie Finger Print Laboratories	211.56
232	48444	National IPA Contract	Autozone Parts LLC	89.99
233	49068	National IPA Piggyback for Systems Furniture, Free Standing Furniture, Seating, Filing Systems/Equipment, Interior Solutions and Related Product and Support Services	Bulldog Office Products, Inc.	84.66
234	49410	State Piggyback for Fire Extinguishers, Maintenance & Repair Services	Advanced Fire Company Inc.	56.00
Total Spend Under Piggyback Contracts During Our Audit Period:				\$43,082,423.86



April 18, 2019

The Honorable Chelsa Wagner  
Allegheny County Controller  
436 Grant Street  
104 County Courthouse  
Pittsburgh, PA 15219

Re: Performance Audit Report on the Impact of Piggybacking Method of Procurement on Allegheny County and the Utilization of Local Business for the period January 1, 2017 through June 30, 2018

Dear Controller Wagner:

Thank you for the opportunity to respond to the above-referenced analysis of the effects of piggybacking procurement for the period of January 1, 2017 through June 30, 2018. Instead of addressing each finding point-by-point, I will be responding globally as I believe it provides a more accurate picture of our efforts.

As a starting point, there is a mischaracterization that piggyback contracting excludes local companies. We have not found that to be true at all. In fact, of the 234 piggyback contracts in this period, 42.30% are within a 30-mile radius of the City of Pittsburgh and 56.80% are located within the Commonwealth of PA. Even had these contracts gone through our local bid process, there is no assurance that a local company will be successful. There are many out-of-state companies enrolled in Public Purchase which is the venue through which the Purchasing & Supplies Division receives bids.

There is also an implication that using the option for piggybacking on a contract does not allow for an MWDBE component. That is simply not accurate. Although not all bidding entities have MWDBE goals, they do encourage minority participation. Any entity with MWDBE goals that bids a piggyback contract binds the awardee to those same goals when any other entity piggybacks on it, so that minority participation spreads across all users. Additionally, selecting that contract doesn't preclude further negotiation. As just one example, the county has used the piggyback contract for supplier Staples but negotiated with the company to meet the county's MWDBE goals. That contract, and the corresponding county goals met through it, is also used by the City of Pittsburgh, Pittsburgh Public Schools, the Airport Authority, and the county Housing Authority. The printer and copier paper acquired from Staples is ordered through their minority paper supplier. There are also MWDBE firms that have been awarded piggyback contracts such as The Wilson Group, a minority supplier of toner cartridge and other office supplies, which provided \$50,646.55 of items via a piggyback contract during the audit period.

Piggyback contracts and cooperative purchasing are also good for the taxpayer. Industry leaders have indicated that piggyback contracts used nationally can save 10%-15% as opposed to a singular solicitation. The Purchasing Division joined forces with several local agencies on purchasing contracts. These include the City of Pittsburgh, the Airport Authority, ALCOSAN, the county Housing Authority, the Community College of Allegheny County, the Port Authority, the City of Pittsburgh Parking Authority, and the joint Sports and Exhibition Authority. The group meets several times a year to determine what could be a joint purchase bid. Air filters, grass seed, paving materials and paint have all been mentioned as potential items the county and authorities use and could collectively seek. There has also been discussion of leveraging the Port Authority to buy bulk fuel for the vehicles the county and authorities own and use. This cooperative purchasing is not unique as other local agencies have done the same. For instance, the Quaker Valley Council of Governments recently contracted with Waste Management to provide garbage and recycling for each of the 15 municipalities it represents.

To ensure the taxpayers of Allegheny County are receiving the lowest price for goods and services, the Purchasing Division will review piggyback contracts even if an Invitation for Bid was solicited. A recent example is IFB-8136 for bottled water. The successful bidder was D.S. Waters. Given greater scrutiny, it was determined W.B. Mason had a contract with the Commonwealth of PA that provided greater discounts that would further benefit taxpayers.

An analysis of that review is attached (Attachment A), but what we found was that the cost to the county was far less when using the state contract and, in some cases, provided items that the invitation to bid did not include.

- The rental of a hot/cold unit ranged from \$1.74 to \$5.85, depending on the contract, with W.B. Mason being the lowest cost.
- A unit with refrigeration wasn't included in the D.S. Waters bid.
- The deposit for a 5-gallon water bottle was \$6 for D.S. Waters, but there was no cost for it under the W.B. Mason PA contract.

While there were other items in which D.S. Waters bid at a better price than W.B. Mason, when looking at the entire contract and the needs of the county, the annual cost savings from piggybacking on the state contract was estimated at \$19,421.

A few other items of note:

- In reviewing your attached schedule titled "Exhibit 3," the expense of \$43,082,423 over 18 months seems significant but we took a closer look at the contracts in excess of \$500,000. Those expenses total \$26,211,111 and are for items such as wireless communication, Microsoft licenses, IT hardware and furniture. Many of the commodities are proprietary in nature and were vetted by State and National Purchasing Cooperatives. As I'm sure you are aware, in many cases, there is not a local presence for Verizon, Sprint and Microsoft.
- Additionally, the sample used by your office reflects \$43 million in contracts over an 18-month period. A schedule is also attached (Attachment B), showing while that is a significant amount on its own, when viewed in context of the county's entire spend in 2017 (\$1,169,690,336) and 2018 (\$1,233,548,373), it's rather small comparatively.



- A review of the exhibit related to piggyback contracts prepared by your office contains four contracts, representing nearly \$500,000 of the total, which were acquired through the Invitation for Bid process – NOT a piggyback contract. The list of those contracts follows:
  - Contract 179085: Electrical Maintenance Service with Allegheny City Electric; awarded under IFB-7497 in 2015 (expired in 2017) found on line 46
  - Contract 48583: Liquid Calcium Chloride with SAL Chemical; awarded under IFB-7543 in 2015 (expired in 2018) found on line 115
  - Contract 49395: listed only as “City of Pittsburgh bid;” awarded under City of Pittsburgh FIFB17000465 for Calcium Chloride (Non-Liquid) on December 1, 2017 and adopted by the county in February 2018 found on line 194 [Please note that the county, Airport Authority, the City Parking Authority, CCAC, and the SEA were all partners to this bid. SAL Chemical is a local company and the contract is subject to the City’s MWDBE/EORC requirements.]
  - Contract 48546: Quality Mechanical Services; awarded under IFB-7427 in 2016 for maintenance of various kitchen, refrigeration, laundry, boiler, hot water, and HVAC equipment.

We know that ideally every solicitation would be bid, every award would be local, and every price would be the lowest in the country. That’s not reality, however, and our Purchasing Division has a difficult balancing job. Each day, they follow all of the rules and regulations that apply to purchasing, while striving to meet the goals of the county, finding appropriate commodities and services, pursuing the lowest price possible for the taxpayers, and ensuring a fair, transparent process. I’m proud of the work that they do while maintaining that delicate balance and know that they will continue striving to improve their performance each day.

Sincerely,



Jerry Tyskiewicz, Director

cc: The Honorable Rich Fitzgerald, County Executive  
The Honorable John DeFazio, County Council President  
Jennifer Liptak, Chief of Staff to the County Executive  
William D. McKain, County Manager  
Mary C. Soroka, Director of Budget and Finance  
Ruth Byrd-Smith, Director of MWDBE  
Frank Alessio, Chief Purchasing Officer  
Kenneth J. Varhola, Chief of Staff to County Council  
Sarah Roka, Budget Manager, County Council  
Lori A. Churilla, Assistant Deputy Controller of Auditing

Attachments (2)

**Attachment A**

<b>BOTTLED WATER PRICE COMPARISON</b>			
<b>Item</b>	<b>D.S. Waters IFB-8136 TABS</b>	<b>W.B. Mason PA STATE CONTRACT</b>	<b>City of Pittsburgh CITY CONTRACT</b>
Rental Hot/Cold Unit	\$2.99	\$1.74	\$5.85
Rental Hot/Cold Unit w/Refrig.	No Bid	\$4.74	\$6.45
5 Gallon Water Bottle	\$3.49	\$2.94	\$6.00
3 Gallon Water Bottle	\$3.49	\$2.94	\$7.75
1 Gallon Distilled Water	\$1.16	\$1.94	No Bid
Deposit 5 Gallon Water	\$6.00	\$0.00	No Bid
Deposit 3 Gallon Water	\$6.00	\$0.00	No Bid

<b>Items Not on W.B Mason State Contract</b>				
<b>Item</b>	<b>D.S. Waters</b>	<b>W.B. Mason</b>	<b>Lowes</b>	<b>Staples</b>
10 oz. Rolled Rim Paper Cups	N/A	124.79/case .0623 each	N/A	N/A
7 oz. Cone Cups	\$3.49/sleeve .0349 each	\$183.97/case .0367 each	N/A	\$52.19 Med Line \$69.91 Dart
4.5 oz Cone Cups	No Bid	N/A	N/A	\$61.99
4.0 oz. Cone Cups	No Bid	N/A	N/A	\$67.47
Bottled Water 16.9 oz Bottles	\$4.99 24/case .207 each	\$4.88 24/case .203 each	\$3.58 32/cs .111 each	N/A

<b>Cost Analysis</b>				
<b>Item</b>	<b>D.S. Waters</b>	<b>W.B. Mason</b>	<b>Lowes</b>	<b>Staples</b>
Water Cooler Rentals Hot/Cold & Filtration Units	\$5,781.90	\$2,401.20	N/A	N/A
Bottled Water 5 & 3 Gallon	\$54,813.94	\$39,121.89	N/A	N/A
Bottled Water 16.9 oz	\$1,225.55	\$1,195.60	\$877.10	N/A
<b>Total</b>	<b>\$61,821.39</b>	<b>\$42,718.69</b>	<b>\$877.10</b>	
<b>Total Annual Savings - \$19,421.20</b>				

**Attachment B**

<b>Amount Paid</b>	
<b>2017</b>	
Direct Pay Purchase Orders	11,719,146.13
Non-Encumbered Contracts	1,065,224,635.24
Purchase Orders	37,265,065.10
Encumbered Contracts	55,481,490.26
	1,169,690,336.73
<b>2018</b>	
Direct Pay Purchase Orders	12,300,118.99
Non-Encumbered Contracts	1,120,952,736.54
Purchase Orders	34,287,722.88
Service Contracts	66,007,794.84
	1,233,548,373.25
	2,403,238,709.98

## **VII. Controller's Office Comments Applicable to Management's Response**

In consideration of management's response dated April 18, 2019, we believe that there are a few items that we need to address to improve the characterization of our audit findings so that management and other users of our report will be able to more clearly understand the deficiencies that we have identified, as well as the need for corrective action.

First, our audit report does not indicate that piggyback contracting excludes local companies. We are aware that 83 of the 234 piggyback contracts with expenditures during our audit period involved companies located within Allegheny County. We are also aware that the utilization of public bid processes does not guarantee that local companies will always be awarded County contracts. However, public bid processes, advertised locally, are more likely to result in the awarding of County contracts to companies situated within Allegheny County, or at least in its vicinity. As we noted in our audit report, 151 of the 234 piggyback contracts with expenditures during our audit period involved out-of-County suppliers. Had the County engaged in less piggyback contracting, it is likely that the utilization of companies situated within Allegheny County or in its vicinity would have been higher.

Second, our audit report does not indicate that piggyback contracting cannot involve MWDBE participation. Some cooperative purchasing organizations utilized by governments may have MWDBE utilization goals or requirements which may or may not be enforced. However, neither Purchasing nor the MWDBE Department are capable of monitoring and do not monitor the MWDBE utilization associated with piggybacked contracts. It is important to note that the goal of Allegheny County's MWDBE program, as stated in Section 435-3 of the Allegheny County Administrative Code, is "to assure the success and growth of minority, women, and socially and economically disadvantaged businesses, business concerns, or business enterprises in the County..." As we noted above and in our audit report, 151 of the 234 piggyback contracts with expenditures during our audit period involved out-of-County suppliers. Even if a piggybacked contract does contain an MWDBE goal or requirement, and that goal or requirement is actually enforced, there is not a high likelihood that out-of-County suppliers will select MWDBEs within Allegheny County to participate in contract awards (and also no guarantee that piggybacked contract suppliers situated within Allegheny County will also select MWDBEs situated within Allegheny County to participate). Consequently, the utilization of piggyback contracting typically does not provide the best opportunity for Allegheny County to achieve its MWDBE program goals.

With respect to the four particular contracts referred to on page 3 of the response, we have reviewed the available documentation for those contracts and agree that three of those contracts (#179085, #48583, and #48546) were awarded via a public bid process. However, contract #49395 appears to have been a piggybacking of a City of Pittsburgh contract. We had initially attempted to identify on our own the populations of approved piggybacked contracts and piggybacked contracts with expenditures during our audit period, but the County's accounting system does not track the procurement method associated with each County contract. Consequently, we needed to obtain those populations from Purchasing. The utilization of piggyback contracting is so commonplace that Purchasing had not tracked the extent to which it was used during our audit period (or for any other period). We requested that Purchasing identify the population of approved piggybacked contracts during our audit period for us, which it did. The aforementioned four contracts were included in the population provided to us by

## **VII. Controller's Office Comments Applicable to Management's Response**

Purchasing. We did not identify any other contracts that were awarded via a public bid process in any of the samples that we actually selected for testing.

Finally, our audit report does not indicate that piggyback contracting is always bad for Allegheny County taxpayers, or that the County should completely abandon piggyback contracting. Our primary concern is that adequate controls have not been designed and implemented to ensure that piggyback contracting is a viable procurement method, and the most appropriate procurement method, for each particular procurement where piggybacking is being utilized. We strongly recommend that the Department of Administrative Services and its Division of Purchasing and Supplies again review the recommendations that we have provided in our audit report and take steps to implement them.